



# Iowa

## Benefits From Exports

Iowa directly exported merchandise worth \$3.26 billion in 2000, an increase of 4.7 percent from 1997 and nearly 67 percent higher than the state's 1993 total of \$1.96 billion. On a per capita basis, Iowa in 2000 registered export sales of \$1,115 for every person residing in the state, which is a 61 percent increase from the per capita figure of \$693 recorded in 1993.

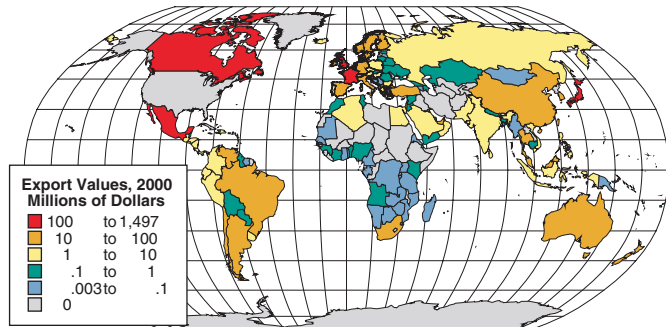
Iowa exports globally to 164 foreign destinations. Two of the state's top three markets are NAFTA countries. Canada is by far Iowa's largest market, accounting for 46 percent—nearly half—of the state's total exports. The United Kingdom is Iowa's second largest market (6.3 percent of 2000 exports), closely followed by Mexico (6.2 percent). Other top markets include France, Japan, Italy, the Netherlands, Germany, South Korea, and Venezuela.

Iowa's biggest growth market, in dollar terms, is the United Kingdom. From 1997 to 2000, export sales to the United Kingdom increased from \$114 million to \$206 million. Iowa also posted large dollar gains in sales to France, Venezuela, Mexico, Italy, and China.

Among the state's top 25 markets the fastest-growing, in percentage terms, is Venezuela (up 382 percent

### IOWA EXPORTED GOODS WORTH \$3.3 BILLION TO 164 FOREIGN MARKETS IN 2000

Dollar Value of Iowa's Merchandise Exports to Foreign Markets, 2000



Source: U.S. Department of Commerce, Exporter Location Series.

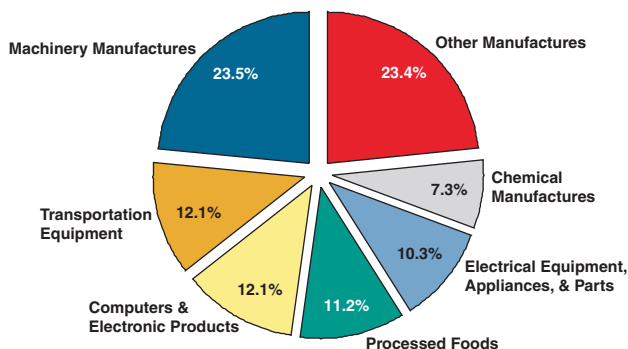
during 1997–2000). Other rapidly growing markets include Norway, Switzerland, Ireland, France, China, and the United Kingdom.

Iowa's leading manufactured export category is machinery, which accounted for \$718 million, or nearly one-fourth, of the state's total exports of manufactures in 2000. Other top manufactured exports—each with more than \$250 million in 2000 sales—include transportation equipment; computers and electronic products; and electrical equipment, appliances, and parts.

Apart from directly exporting a wide range of manufactures, Iowa is also a major exporter of farm products—a fact not apparent from official U.S. export statistics because Iowa's agricultural exports are often sold indirectly, through wholesalers and other vendors located outside the state. The U.S. Department of Agriculture estimates that exports contributed, both directly and indirectly, about \$3.2 billion to the state's farm cash receipts in 1999 (roughly one-third of total farm income).

The Davenport–Moline–Rock Island metro area (partly located in Illinois) posted 1999 exports of \$1.38 billion—the most of any Iowa metropolitan area and more than a third of the state total. Other Iowa metro areas with over \$100 million in export sales included Cedar Rapids, Des Moines, and

### IOWA EXPORTS A WIDE RANGE OF MANUFACTURES: \$3.06 BILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

Source: U.S. Department of Commerce, Exporter Location Series.

Dubuque. Cedar Rapids has experienced the most rapid export expansion among the state's major metro areas, growing by 56 percent over the 1993–99 period.

## Exports Support Good Jobs

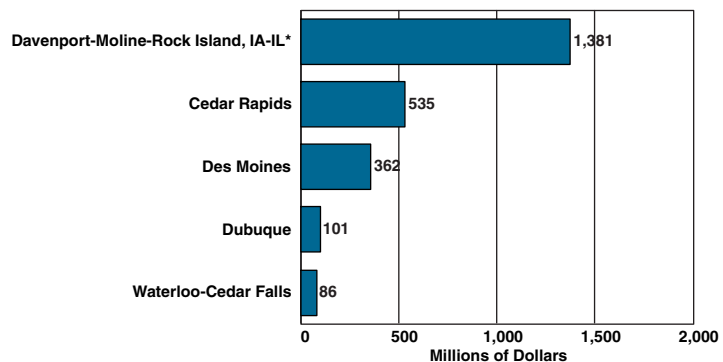
Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs supported by merchandise exports range 13–18 percent higher than the national average. Export-supported jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), Iowa depended on manufactured exports for 107,400 jobs. Export-supported jobs accounted for an estimated 8.4 percent of Iowa's total private sector employment—roughly one of every 12 jobs (well above the national average of one in every 14 jobs).

Manufactured exports supported 43,700 jobs in Iowa's manufacturing industries. This was 18.5 percent of the state's manufacturing work force—nearly one of every five manufacturing jobs. Nearly half of Iowa's export-related manufacturing jobs were in machinery manufactures, primary metal manufactures, plastic and rubber products, or transportation equipment.

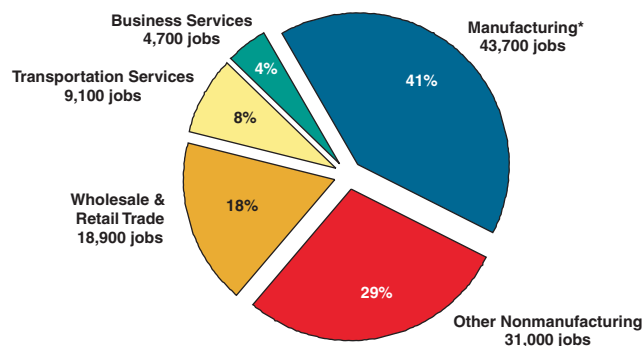
Exports of manufactured goods also indirectly supported 63,700 jobs in the state's nonmanufacturing industries. These industries supply manufacturers with a wide variety of inputs needed to produce goods for export.

**FOUR IOWA METRO AREAS POSTED EXPORTS OF \$100 MILLION OR MORE IN 1999**



\*This metro area partially overlaps into an adjacent state.  
Source: U.S. Department of Commerce, Exporter Location Series.

**107,400 IOWA JOBS DEPENDED ON MANUFACTURED EXPORTS IN 1997**



\*Includes 4,000 jobs tied to exports of processed foods.  
Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

### TRADE PROMOTION AUTHORITY— KEY TO OPENING WORLD MARKETS

*U.S. Trade Promotion Authority (also known as TPA or "fast track") is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.*

*Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.*

*TPA preserves the ability of the United States to protect public health, safety, and the environment.*

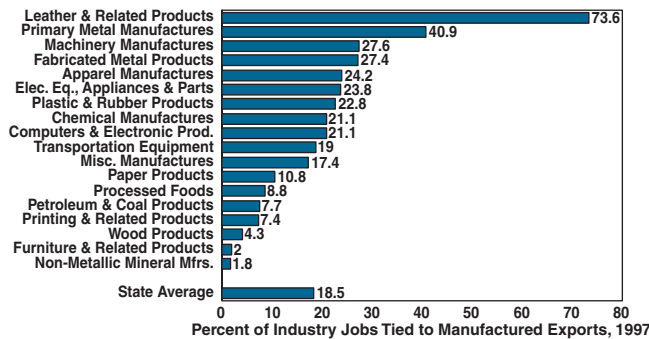
## Exports Help Small Business

Exports have broadly benefited Iowa businesses, both large and small. A total of 2,732 companies exported from Iowa locations in 1998. Just over 75 percent of these companies, accounting for 21 percent of the state's total exports, were small and medium-sized firms with fewer than 500 employees. More than 59 percent of all Iowa exporters were small firms with fewer than 100 workers.

## Foreign Competitors Are Not Standing Still

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United States is a party to just two of the estimated 130 free trade agree

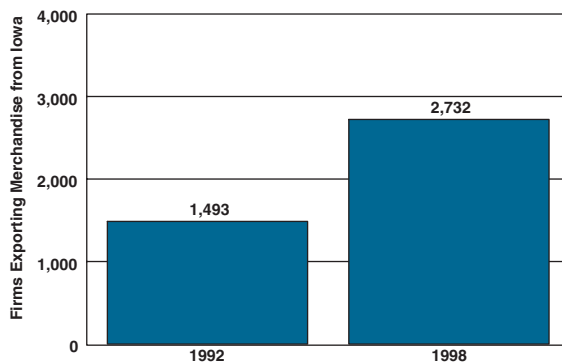
### MORE THAN ONE-SIXTH OF MANUFACTURING JOBS IN IOWA WERE TIED TO EXPORTS IN 1997



Note: In 1997, 18.5 percent of the 235,900 manufacturing jobs in Iowa were tied to manufactured exports—some 43,700 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

### THE NUMBER OF COMPANIES EXPORTING FROM IOWA ROSE 83 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

ments in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

## Iowa Industries Can Gain From Trade Negotiations

Iowa exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit Iowa businesses in many industrial sectors.

**Agricultural machinery.** Iowa exporters of agricultural machinery have reaped benefits and increased foreign sales as a result of tariff reductions agreed in past trade

negotiations. Expanded markets in Asia and Latin America have contributed significantly to U.S. exports. However, high tariffs still constitute significant barriers in many countries that did not participate in the Uruguay Round “zero-for-zero” tariff agreement on agricultural machinery. For example, tariffs on agricultural machinery are as high as 21 percent in Argentina and 30 percent in India. Restrictive government procurement practices and discriminatory licensing and inspection requirements also hinder agricultural machinery exports.

**Auto parts.** The United States exported \$53.7 billion in auto parts during 2000. The ability of the auto parts industry to increase exports will play an important role in its future growth. It will be critical to resolve the many market access barriers that confront this sector. In addition to high tariff barriers, several key nontariff barriers are unique to the auto parts sector. For example, Iowa parts suppliers have been denied full access to the Japanese market by restrictive regulations concerning the repair and replacement of auto parts. U.S. parts rebuilders are also unable to sell their products throughout much of South America due to import prohibitions.

**Civil aircraft and parts.** The U.S. civil aircraft industry is the largest in the world. In 2000, total exports of U.S. civil aircraft, engines, and parts were \$45 billion. Over the last five years, three of every five large civil aircraft produced in the United States were exported. The World Trade Organization

Agreement on Trade in Civil Aircraft provides for duty-free import of civil aircraft and their components by the

### IOWA: WHY TRADE PROMOTION AUTHORITY?

*Trade Promotion Authority is critical for removing remaining barriers to exports of Iowa goods and services.*

*Iowa exporters still face major trade barriers in such sectors as agricultural equipment, auto parts, civil aircraft and parts, information technology, pharmaceuticals, and construction equipment.*

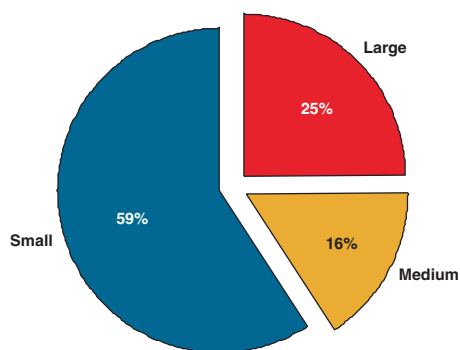
*With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.*

*Iowa's economy is export-dependent, with export sales of \$1,115 for every state resident.*

*More than 107,000 Iowa jobs depend on exports of manufactured goods.*

*2,732 companies—including 2,053 small and medium-sized businesses—export from Iowa.*

**75 PERCENT OF IOWA'S 2,732 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES**



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees.  
Source: U.S. Department of Commerce, Exporter Data Base.

26 signatories to this agreement. However, import tariffs in nonsignatory countries remain as high as 30 percent. Also, a number of nontariff barriers impede Iowa's exports of civil aircraft and parts. For example, some countries do not promptly or fully recognize the safety and international noise certification compliance of all U.S. civil aircraft.

**Information technology.** Iowa's high-tech businesses are beneficiaries of the Information Technology Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent. Beyond tariffs, IT products also face such nontariff restrictions as redundant testing and certification requirements. U.S. suppliers, including those in Iowa, would likely see sales rise if remaining barriers on IT products were eliminated.

**Agriculture.** Iowa is a major producer and the nation's second largest exporter of agricultural products. As noted earlier, the U.S. Department of Agriculture estimates that the state directly and indirectly exported farm products (including processed foods) worth \$3.2 billion in 1999. Since 1991, the state's reliance on agricultural exports has ranged from 27 percent to 37 percent as measured by export's share of farm cash receipts. Iowa's top agricultural exports are soybeans and products, feed grains and products, live animals and red meats, feeds and fodders, and planting seeds. Iowa already benefits from past trade agreements. Under NAFTA, Mexico converted its import licensing system for corn to a transitional tariff-rate quota. The Philippines converted its import ban on corn to tariffs as part of its Uruguay Round

commitments. Under NAFTA, Mexico's in-quota tariff on live slaughter swine, chilled/frozen pork, and hams falls to zero by 2003. However, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

**Services.** Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will

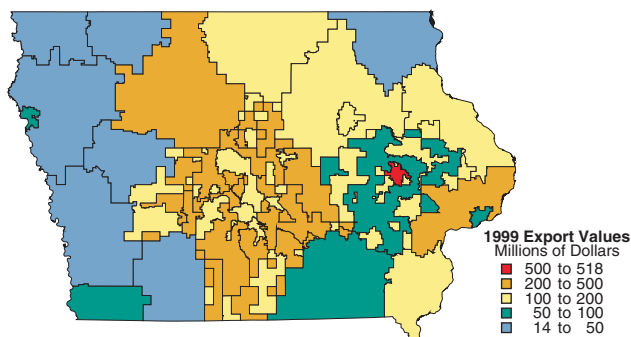
provide added impetus to the new round of global services trade negotiations now under way to dismantle these barriers.

## Imports Also Important to Iowa

While exports generate clear benefits for the Iowa economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in Iowa, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in Iowa with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

## EXPORTS ARE SOLD FROM ALL OVER IOWA

Iowa's Merchandise Exports by Three-Digit Zip Code, 1999



Note: Iowa's total merchandise exports in 1999 were \$3.0 billion. Due to federal disclosure regulations, shading of zip codes 506 & 507 refers to combined exports from these areas.  
Source: U.S. Department of Commerce, Exporter Location Series.